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SUBJECT: SOUTHERN SUDAN: MEETING WITH THE MINISTER OF
FINANCE AND ECONOMIC PLANNING

¶1. (U) Summary: On February 15, CG Juba met with Government of Southern Sudan (GoSS) Minister of Finance and Economic Planning Arthur Akuin Chol. Chol discussed the upcoming GoSS USD 1.5 billion budget, funded mostly through oil revenues, and the priorities for spending, beginning with the development of Juba, state capitals, and transportation infrastructure. Chol then weighed in on the Total Oil controversy, saying that the block assigned to the firm was too large, and that Total should have lost its rights when it abandoned it in the 1980s. Chol also said that U.S. sanctions are hurting the development of Southern Sudan, as was the shift in focus to the ongoing conflict in Darfur. End summary.

A Budget Built on Oil and Priorities

¶2. (U) Chol said that he had prepared the 2006 budget, which would soon become a public document. He observed that, on the GoSS side, revenues came almost entirely from oil receipts. The budget projected USD 1.3 billion in petrol revenues, but only USD 4 million from all other sources. An additional USD 200 million brought the total budget to USD 1.5 billion.

¶3. (U) He listed priority areas of spending for the GoSS, beginning with the rehabilitation of Juba. He scoffed at ongoing work on ministry offices as touch up, and said that total renovation and refurnishing is needed. In addition, urgent repairs to the water supply and electric generation/distribution systems are foreseen. Sixty kilometers of road in Juba town will be repaved: in his speech the previous day President Bashir had promised enough bitumen to do 20 kilometers, and the GoSS would come up with the rest. Renovation of the ten state capitals would take place next, including an upgrade of information technology that would link the capitals to Juba by a system of VSATs. Finally, he concluded, the GoSS would emphasize mine clearance and the upgrade of main roads linking the major towns of the South. He said the Multi-Donor Trust Fund would provide USD 750 million over a three-year period in support of these infrastructure priorities.

¶4. (U) Chol expressed appreciation for USAID assistance in helping to shape the budget through its BearingPoint contractor. A workshop scheduled for next week would convene ministers of finance from the ten states to train them in preparing budgets at the state level, setting financial ceilings through which the various front line ministries would prioritize and set funding levels. In response to the CG's question on which GoSS ministries would get the largest slices of the pie, Chol ticked off the list in descending order: infrastructure (multiple ministries), education, health, housing, and the military.

Fretting Over Petroleum

15. (SBU) Chol echoed the concern of virtually everyone in the GoSS about the lack of Government of National Unity (GNU) transparency about petroleum revenues, both the amount produced and the terms of payment under existing contracts. He added that the failure to agree on the border was also critical, since the CPA did not require the North to share revenues from oil produced on its territory. Chol said that the oil rich area around Heglig in particular is an issue, since it had been part of the South at independence in 1956, but was now claimed by the North as its territory.

16. (SBU) Chol admitted that the GNU had recently improved its performance in transferring oil revenues to the South, although the North had still not fully paid up. Like other GoSS officials, he would not provide an exact figure. (Note: We have heard that the GNU has transferred approximately USD 900 million so far. End note.) Chol was vague on how new finds in the South would be handled in terms of revenue sharing, stating only that the CPA was not totally clear on this point. He spoke briefly on the Total/While Nile controversy (septel), insisting that the normal maximum petroleum zone granted worldwide was no more than 500 square kilometers, and that Total should have lost contractual rights during the long hiatus after it pulled out of Block B, the Central "super block" encompassing 120,000 square kilometers.

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Developing Other Revenue Streams

17. (U) The Minister frankly admitted that customs and income tax were the only areas from which the GoSS would derive additional revenue, plus some new taxes on tent camps and other foreign businesses now in South Sudan to cater to NGOs, et al. Chol said that the GNU planned to train southern customs officials and upgrade communications between the border, Juba, and Khartoum. In return, the GoSS would equally share revenues with the GNU, which in turn would share a percentage of the customs revenues it generated in the North with the South.

Sanctions Pinch Both Sides

18. (U) Chol said that U.S. economic sanctions were punitive for the South. He described a pre-interim period donor fund established for the SPLM, but controlled by UNICEF. Twice Deutsche Bank had blocked the movement of funds from New York to the SPLM's bank in East Africa. More recently, transfer payments for petroleum had been held up in the banking circuit. Chol listed sanctions on spare parts for airplanes and locomotives as another measure that punished the South for the actions of the North. He added that at least President Bashir had been entirely clear in his speech in Juba the previous day that the North would accept a decision by the South to go its own way six years hence.

The Darfur Blues

19. (SBU) Chol lamented the negative impact of Darfur on the reconstruction of the South. He complained that

attention had shifted away from the South and that resources that rightly would have gone to southern reconstruction were now diverted to IDP camps in Darfur. CG pointed out that it is thus clearly in the self-interest of the GoSS to do its utmost to support a negotiated solution in Darfur, and that it is in the interest of the SPLM to use its position to promote political transformation throughout Sudan and assure a secure future for the entire country, whatever CPA option the people of the South might ultimately choose.

Bio Data

110. (SBU) Chol is a Dinka from Aweil, probably in his mid-60s. He was a refugee in Kinshasa for two years in the 1960s, and did pre-university studies at Louvanium before receiving a scholarship to Fribourg Catholic University in Switzerland. He completed an M.A. in economics over six years and worked for a private firm in Basel. Chol returned to Sudan in 1982 and worked for the government of Sadiq al Mahdi. Chol was sent to Cairo as the Sudanese representative on a multilateral maritime body, and served as al Mahdi's emissary to various sub-Saharan African countries in support of peace negotiations with the South. When Bashir seized power, the GOS canceled Chol's passport and pressed Egypt for his return. Chol traveled to Nairobi in 1992 and joined the SPLM, where in 1993 he became SPLM Minister for Humanitarian Affairs, the precursor of the SRRC. Garang appointed him Minister of Finance in 1997, a position he has held since.

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